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Making a Strong Canadian Economy Even Stronger

The Honourable Jim Flaherty, Minister of Finance, issued the following statement today on behalf of Canada's New Government at the conclusion of meetings with his provincial and territorial counterparts:

"Over the last two days, we had very productive discussions on how we can work together to strengthen Canada's economic union. I'd like to thank my provincial and territorial colleagues for the frank and forthright exchange of views.

We began by taking stock of the recent excellent performance of the Canadian economy. We are experiencing the second-longest period of economic expansion in Canadian history, the best job market in a generation, corporate profits are near record highs, and the financial position of households is strong. All regions of the country have shared in economic gains, resulting in very positive fiscal results for all governments. We were also mindful of the fact that the country continues to face various regional economic challenges such as the state of the manufacturing sector and labour shortages.

We also heard from Governor David Dodge of the Bank of Canada on the outlook for growth and inflation in Canada, including economic and financial developments, trends, and risks.

Ministers also took this opportunity to commend Governor Dodge for his successful stewardship of Canada's monetary system over the past six years and to wish him the best in his future endeavours.

Finance Ministers agreed that ongoing efforts to increase productivity are required to ensure Canada maintains its competitive advantage and our standard of living continues to improve. Our long-term economic plan, *Advantage Canada*, helped frame the discussion.

Governments have all made substantial progress in the context of *Advantage Canada*, including important investments in infrastructure and human capital. As a result of actions taken in Budget 2007, Canada's marginal effective tax rate (METR) on new business investment improved from third-highest in the G7 to third-lowest by 2011. And thanks to measures in provincial budgets in 2007, supported by the federal

government, Canada's METR will move to second-lowest by 2011. Canada's New Government has already taken significant steps in its first two budgets to reduce corporate tax rates, eliminate capital taxes, and improve capital cost allowance rates for the manufacturing sector.

This does not mean we agreed to be complacent. We will have to continue to work together to find ways to improve Canada's business tax structure, including further collaboration in harmonizing tax systems and building on our joint efforts to eliminate capital taxes. As set out in *Advantage Canada*, our goal is to have the lowest effective tax rate on new business investment in the G7.

We discussed our close collaboration on two important personal tax initiatives: the Working Income Tax Benefit (WITB), which will improve the incentives to work for low-income Canadians, and the Registered Disability Savings Plan (RDSP), which will help parents and others save for the long-term financial security of a child with a severe disability.

We focussed specifically on the process that the federal government has put in place to better harmonize the WITB with existing provincial and territorial programs by allowing for certain province- and territory-specific changes to the design of the WITB. We also discussed the importance of collaborating with our colleagues responsible for social services to ensure that the benefits of the WITB and RDSP are not clawed back, but are passed on to Canadians to improve their quality of life.

In an effort to strengthen Canada's economic union the Finance Ministers discussed ways to reduce barriers to inter-provincial-territorial labour mobility, trade and improving regulatory efficiency.

Finance Ministers similarly agreed on the need to work in a coordinated fashion to encourage the efficient production and use of energy and to make progress on issues related to the environment while maintaining a strong economy.

We had a productive day and will continue working together to ensure that the provinces and territories are partners in our national success. I think these meetings mark a major step in that direction."

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